POLICY PARALYSIS ON TOLL ROAD & EXPRESSWAY CONSTRUCTION POLICY

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THE GOVERNMENT HAS GIVEN NO ANSWER TILL YET AS TO WHAT ALL SUCH HUGE POOL OF GOVERNMENT STAFF FORCE OF ROAD ENGINEER ETC. WOULD DO IF ROAD IS TO BE BUILT & OPERATED BY THE PRIVATE SECTOR?

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Major Funding Conundrum Which is Suggested Nowadays for Road Construction!

- **BOT (Annuity) model: In the BOT (Annuity) model, the government pays no grant and** the private sector meets the entire upfront, construction and maintenance cost. The investment is recovered along with a pre-determined rate of return in the form of annuities payable by the government every year. Unlike the BOT (Toll) model, in the annuity model the client (government) assumes all the risk with respect to traffic, as it collects the toll.
- **Special Purpose Vehicle (SPVs): SPVs are separate legal entities formed for the funding** of road projects, with minimal financial support from the government authority. Most of these funds come from financial institutions and beneficiary organizations in the form of equities and debt. The investment made in the development of roads is then recovered by the SPV through the collection of tolls.
- **Build, operate and transfer (BOT) Toll model: In the BOT (Toll) model, the** concessionaire (private sector) has to bear the cost of construction as well as annual maintenance. The private sector recovers these costs along with the interest and a return on investment through future toll collection while operating the facility.

BOT (Annuity) model is the most suitable model on amongst all such suggested models which has now become fashion. It is possible that Government can collect toll through its arm IHMCL

What are the Bitter Experiences of Past Which is Pure Lesson for Future

Toll Roads - Case Study:

Noida Toll Bridge Company Limited (NTBCL)

Alleged Assured Returns Which is Made Mockery for Plunder of Public Money

- The concession agreement allows NTBCL to earn an assured return of 20% net of taxes, calculated on the total capital employed in rupee terms.
- The capital employed, calculated by the independent project engineer and independent auditor, includes
  - project costs + cost of major repairs
  - shortfall in recovery of assured returns in the preceding year.

Maximum Rate of Interest for Roads etc. is 9.5%. Still then 20% rate of return is allowed. Still recipient of such huge margin profit, it is NOIDA who will borne the actual risk. Then what is the benefit for hiring tilling agency like NTBCL!

However Extreme BOOT was Chosen for Just to Benefit the Ghost Elements

What is that Total Project Cost (TPC) out of which every thing goes on belly of NTBCL!

The definition of TPC is a open-ended pit. There is possible that you put every wealth of the country on this pit, but this pit is not going to fulfil and practically TPC is everything which the concessionaire are going to wish in upcoming future. TPC is calculated ex-post cost which means that concessionaire was given an open hand in construction of bridge. The real culprit definition has created an incentive for cost-maximization rather than cost-minimization and efficiency. It is like an example of a blank cheque at the cost of the public which will have to pay for whimsical number filled in by concessionaire. Noida authority had guaranteed a rate of return on unknown amount. It also include “without limitation” attorneys’ fees associated with the settlement of pending or threatened suits/claims. Allowable O&M expenses also include such items as “fines” on the concessionaire. It is possible that whatever the poor quality rood initially built by the concessionaire has built, but again any major repair work that too will be added to the Total Project Cost. Similarly, if authorities decide to impose fines on company that too can be included in the Total Project Cost. If authorities impose a fine on concessionaire for that low quality work then it will too be added to the TPC and if authorities wake up to this sham and try to take legal action against concessionaire for the same, it will too be part of the TPC. Thereby, Toll is never going to end therein till the Sun and Moon keep on remain on sky.

It is one biggest example of plunder of public money on the excuse of Toll Road. It is one of the best example of joint venture plunder of crony capitalist, corrupt bureaucrats and pseudo politician nexus!

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Ultimate Fate of BoT/ BOOT Based Public Private Partnership Toll Roads!

It is Now Became Poll Issue Only in the State of Maharastra & Fortunately One Maharastrian Minister Who Then Started the Most Controversial BoT/ BOOT Mode is Now Became the Road Transport Minister Now!

Remember! It May Make & Break Any Government ! Anywhere!

Private Road Became Cause for Corruption, Crony Capitalism & Plunder of Public Money

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Whether Anybody Tried to Find Out as to Why Public is Furious to Private Toll!

It is not because public are in principle against Toll Road, but they are angry against culprit of crony capitalism!

There is lot of accounting fraud resulting into manifold price of the original cost is recouped from the public!

Why it is not possible that NHAI Construct the Road after taking loan and recoup the cost + Interest after charging Electronic Toll Collection.

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Ideal Business Conditions For Construction of Toll Roads on No Loss No Profit Venture

- Expressway / High Way Toll Road Companies are not expected to earn profits or make losses through expressway / Highway construction and operation.

- Don't be fooled by the references to "free-market principles," "proper pricing," "supply and demand," and "economic incentives" from those selling for-profit roadways. The truth is, any resemblance to free-market principles is more illusion than fact.

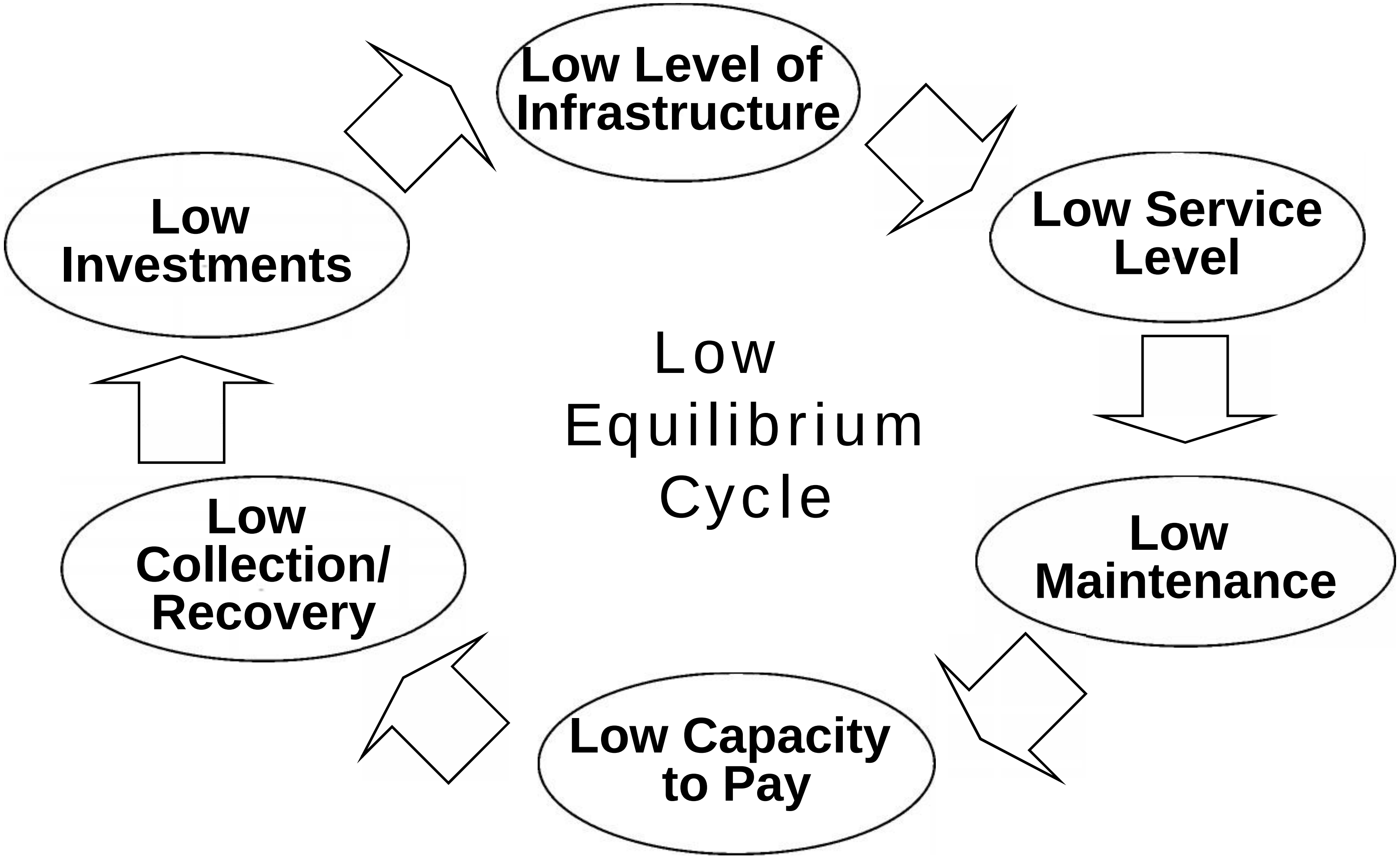
- Toll road advocates argue that those who use the system the most will pay the most. Fair enough, but who determines what the buyers should pay? It isn't competing sellers of similar services. Highway users do not have viable alternatives to buy highway services from other sources. For all practical purposes, there are no other sellers competing for the motorists' business and realistic alternatives don't exist.

- First, highway corridors are not assembled by willing buyers in competition with other willing buyers. The state identifies the corridor it wants, establishes what it considers to be a politically and judicially acceptable price, and condemns the land of those sellers who disagree. This is market principles at the end of a gun barrel.

Government has not clarified the policy decision on Toll Road till yet publicly. Road Transport Minister Mr. Gadkari on some Seminar stated that for upcoming 2 years Government is going to construct the road on EPC (Engineering, Procurement and Construction) mode. However, he has not clarified how future expressway road to be constructed. He has not clarified in respect of funding.

Consequence of Dillydallying on Announcement of Toll Road Policy

Government of Day is Terrified!



Government of the is not Deciding Its Road Policy Expeditiously !

There is Hidden Mixture of Private Interest of PPP & Due to Which Every Body are Silent! However expeditious decision of funding issue is need of time!

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Public Sector Banks are Successful! Why Public Sector Toll Road is not Possible?

Public Sector Tolling is Possible - If Electronic Toll Collection is to Be Resumed Pan India:

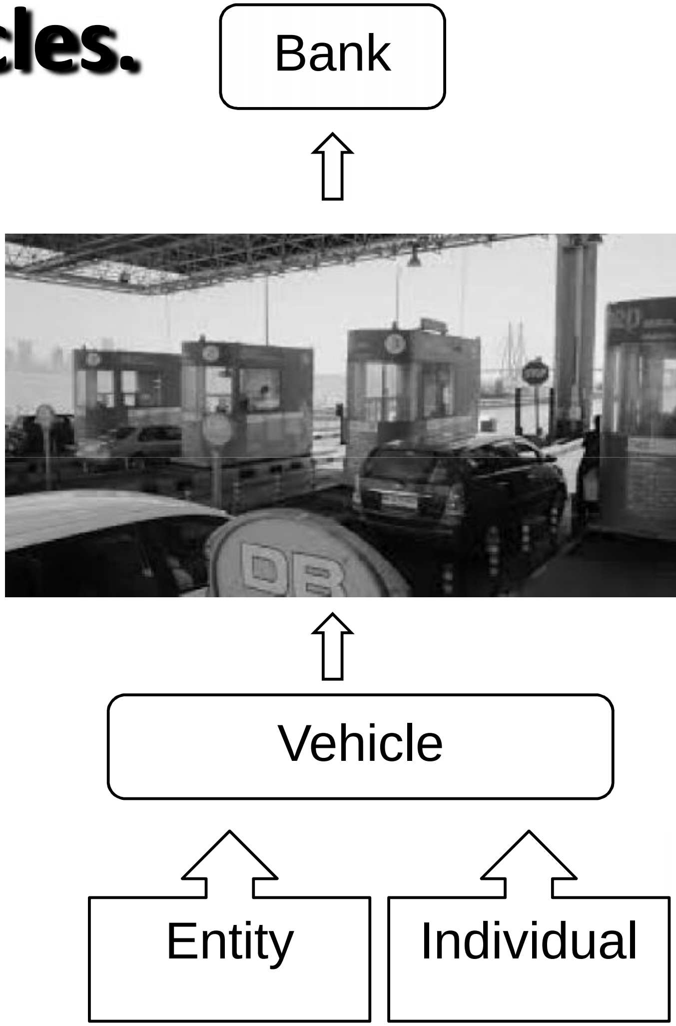
Benefit of ETC

· Fewer and shorter queues at toll plazas by increasing tollbooth service rates;
· Faster and more efficient service—the customer does not need to stop;
· To pay by keeping a balance on the customer's account;
· Mailed toll statements—the customer no longer has to request a receipt.
· Reduced accident rates/ improved safety because of less slow-and-go driving.
· Lowered toll collection costs;
· Better audit control by centralized user accounts;
· Expanded capacity without being required to build more infrastructure.
· fuel savings;·

UPA Road Transport and Highways Minister C P Joshi way back 2012-13 announced that within 2 years ETC will be implemented Pan-India. The conspicuous silent of this new NDA Government on this issue is one of the big example of policy paralysis of this government on this issue.

How GST can be Implemented Without Creating Central Vehicle E-Registrar!

Characteristics of E-registrar of Vehicles.



- No vehicle will be stopped at any state. State share of GST can be automatically paid / calculated in view of the data collected on each entering toll gate of state. Each vehicle will additionally mail bill and other documents of the vehicle + all carried goods for transparency and unhindered movement of vehicles.
- No vehicle need to stop at toll tax road gate. Road Toll will be automatically paid. GST State component is easily calculated.
- In case no money left on the account of vehicle, then also toll booth will not stop the vehicle, but it will electronically issue bill electronically to email address of the vehicle.
- Tax component of vehicle will be automatically deducted from bank account of the vehicle with message/ email to vehicle as and when money on later on charged on such accounts.
- It should be made mandatory that petrol/ diesel can be taken from such Bank A/c of the vehicle for toll payment + GST calculation.

It is Claimed that GST is to be Implemented from 01.01.2016. However, One Component of GST viz. Vehicle E-Registration is Till Yet Put on Policy Paralysis !

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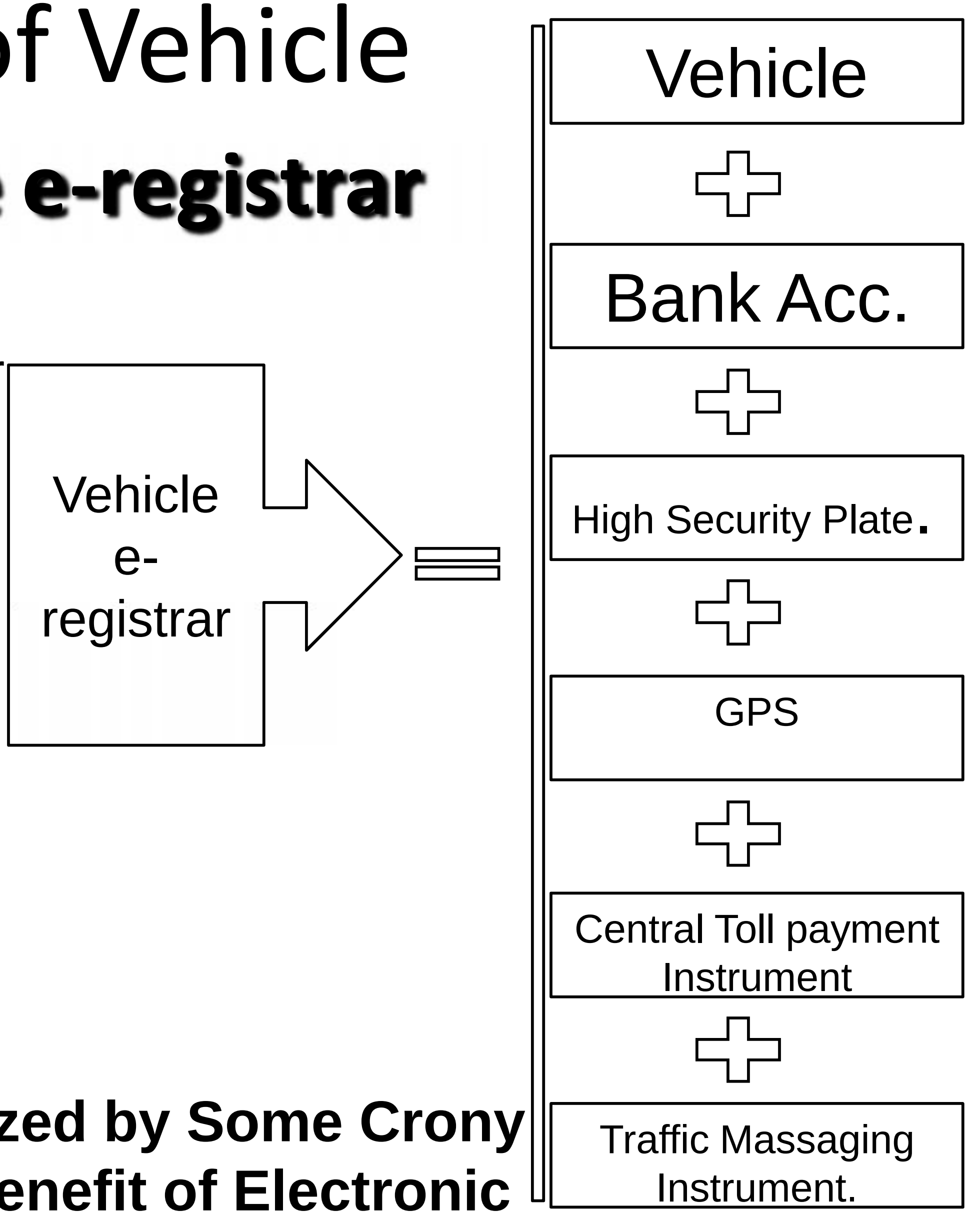
Policy Paralysis on Govt. Side on Electronic Registration of Vehicle

Benefit of Centralized vehicle e-registrar

- Central Govt. should launch Central e-registrar of vehicles.
- Each vehicle have its own electronic UIN.
- Such vehicles will be additionally provided one electronic identifier/ RFI, HSP, GPS , audio /screen massaging facility.
- It will be made law that all manufacturer of vehicles will inbuilt provide aforementioned instruments.
- Each registered vehicle will have its own bank account for payment of toll, tax and purchase of fuel.



Ministers on Some Seminar Organized by Some Crony Capitalist Used to Say About the Benefit of Electronic Registration of Vehicle. However They Have not Clarified as to What Hindered for Announcing Policy!

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Profitable Route be Financed Through Toll ! How to Handle Non-Profitable Routes!

Example of Fuel Taxes USA

- 82% of federal transportation funding comes from federal fuel taxes
- 24% of state revenues for highways come from state fuel taxes

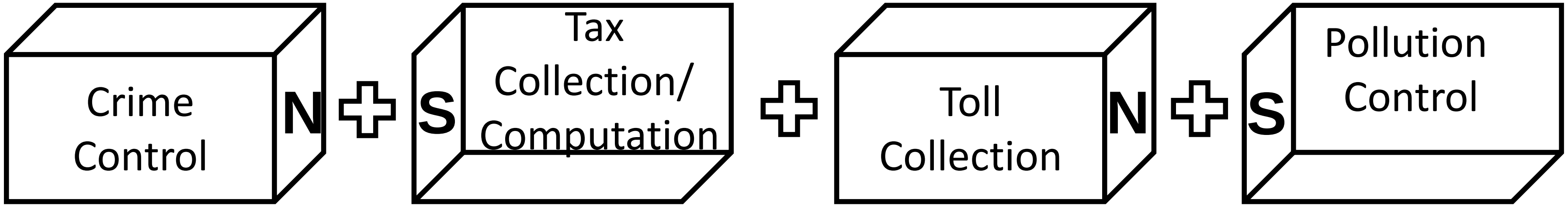
Why We cannot Use Same Tool of Fuel Tax for Subsidizing Non-Profitable Highway & Expressway Routes.

- The budgetary support of the Union Government for Road Construction is very meager.
  - controlling the funding of road maintenance,
  - for expansion of Red Light Free Seamless Highway & Expressway across length & breadth of the country.

Modi Government claimed that it has increased State share from 32 % to 42 % on the central Government pool of tax collection. However, it has not clarified what would have wrong if such 10 % share of central Government Revenue would have given for Highway Construction additionally!

Why It is not Considered that Public Sector Toll Road will be Win-Win for All!

- If private company is to built, own and operate road, then what is need of NHAI
- If private sector is to do every thing! Then what is the need and use of Road Research Organization.



Running Toll Road on No Loss No Profit Venture

It is government duty to register the vehicle. Driving Licence is also issued by the Government Agency. If Central Registrar of Vehicle is to ensure that at each manufacture vehicle (+ imported vehicle) there is inbuilt electronic ID for toll collection vis-à-vis driving licence identifier system, then Public Sector Toll Road Company can run Toll Road very easily. Only security personnel equipped with technological knowhow can run such toll booth. Further, there will not be public opposition, like that of the other private road.

Hence why the government is not considering running Public Sector Toll based Red-light Free Highway / Expressways.

Benefit of Construction of Highway & Expressway on No Profit No Loss Toll Road

Manmohan Singh led UPA declared that it will implement 100% toll tax collection through Electronic Toll Both Methodology within 2 years of its implementation across Pan-India.

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Road Transport Minister of the Modi Government declared that it is going to construct Highways on EPC (engineering, procurement and construction) mode) & it is going to end BoT/ BOOT based Toll Road.

If aforesaid both the promises of UPA & NDA Government promises is to be implemented then it would not be difficult for implementation of the Public Sector Toll Road resulting into no public hue and cry. It would be Win-Win for all to celebrate.

Besides, toll collection point would be very big governance point from where government can look after, breach of tax (GST), look after movement of criminals & other miscellaneous tasks.

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Whether NDA Government is Justified for not Announcing its Toll Road Policy?

The Ministry of Road Transport and Highways earlier at the time UPA time aimed to rollout Electronic Toll Collection (ETC) across all the toll plazas on National Highways in the entire country by March 31, 2014. This was stated by Dr. CP Joshi, the Union Minister for Road Transport and Highways (MoRTH) while delivering the keynote address at a discussion organised on" India's Highways – Next Gen Tolling and Corridor Management".

Whether NDA Government Wants to Slow Its Pace as Compared to UPA ! If it not then! Why It has not Cleared Toll Based Concept in Respect of Highway & Expressway !

Thank You

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